



Appendix 4C and Quarterly Activities Report

Quarterly report for entities subject to Listing Rules 4.7B and 4.7C

22 July 2021

June 2021 Quarterly activities report

Megaport Limited (ASX: MP1) has today released the June 2021 quarter Appendix 4C and Quarterly activities report.

In 4Q FY21, Megaport added 168 new customers, a record number of organic customer adds for any quarter, for a total of 2,285 customers, up 8% QoQ and up 18% versus the previous high in 1QFY21. The company drove record net increases in the quarter across all major operating metrics achieving 652 new Ports (previous high of 565) for Total Ports of 7,689, up 9% QoQ, 80 new Megaport Cloud Routers (previous high of 47) totalling 502, up 19% QoQ.

4Q FY21 Monthly Recurring Revenue (MRR) was up \$735k and 11% QoQ, to \$7.5M in June 2021. Underlying MRR¹ grew \$667k for the quarter – a record high for the Company. Total revenue for the quarter was \$22.7M, up 16% compared to 3Q FY21 and an increase of 34% compared to 4QFY20.

4Q FY21 highlights:

- MRR for the month of June 2021 was \$7.5M, an increase of \$0.7M, or 11% QoQ.
- Revenue for the quarter was \$22.7M, an increase of \$3.1M or 16% QoQ.
- Total Installed Data Centres was 405 at the end of the quarter, a net increase of 15, or 4% QoQ.
- Total Enabled Data Centres was 761 at the end of the quarter, an increase of 19, or 3% QoQ.
- Customers at the end of the quarter were 2,285, an increase of 168, or 8% QoQ.
- Total Ports at the end of the quarter were 7,689, an increase of 652, or 9% QoQ.
- Total VXC's at the end of the quarter were 12,029, an increase of 891, or 8% QoQ.
- Total MCRs at the end of the quarter were 502, an increase of 80, or 19% QoQ.
- Total Services² at the end of the quarter were 21,712, an increase of 1,656, or 8% QoQ.
- Average Revenue per Port in June 2021 was \$982, an increase of \$23, or 2% QoQ.
- At the end of June 2021, the Company's cash position was \$136.3M.

Long-term deal commitments reached a record in the quarter with 46% of net new Ports in the quarter being acquired with committed terms of between 12 and 36 months. This represents a growing trend of customers using Megaport to connect long-term IT solutions.

The company has sold 21 MVEs as of 30 June, supporting SD-WAN connectivity services for 9 customers utilising integrations with multiple Megaport SD-WAN partners.

¹ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

² Total Services comprise Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR), and Internet Exchange (IX).
ASX Listing Rules Appendix 4C (17/07/20) + See chapter 19 of the ASX Listing Rules for defined terms.

Product Updates

MVE is currently integrated with three leading SD-WAN service providers. Megaport is currently integrating three additional SD-WAN providers and is working on growing its ecosystem of partners that will host additional service functionality across MVE.

Demand for 100 Gbps customer access ports has steadily increased as customers utilise Megaport's carrier-grade backbone for critical connectivity services. In response, the Company is positioning additional port inventory to stay ahead of demand. Megaport accelerated deployment of 100 Gbps port speeds for direct customer consumption with availability in 64 sites across our network in all three regions.

Adoption of MCR continues to accelerate with 80 having been sold in the quarter, up 19% QoQ. At quarter end, 12% of customers use this product, up 1% QoQ. This is driven by an increase in multi-cloud adoption and highlights the increasing need for point-and-click control of data networking for localisation, cloud-to-cloud interconnection, and performance improvement.

Ecosystem Expansion Update

- **Asia Pacific:** 105 Installed Data Centres with the addition of 5 new sites; total of 136 Enabled Data Centres. Additions include Datacom Sydney, DXC Technology Sydney, Wellington Xtreme DC, Singtel Data Center - Singapore, and Digital Realty Singapore SIN12
- **North America:** 198 Installed Data Centres, with the net addition of 9 new sites; total of 417 Enabled Data Centres. Additions include CyrusOne Allen, RagingWire Portland, CyrusOne Omaha, Recovery Point Data Center, Digital Realty Charlotte, Ragingwire Chicago CH1, Netrality St. Louis, New York NYI NI3, Evoque Data Center - Secaucus NYC3, and Cologix New Jersey NNJ3, offset by decommissioning San Antonio Stream.
- **Europe:** 102 Installed Data Centres, with a total of 208 Enabled Data Centres. Net 1 addition with new locations at KAO Data Center London and Green DC - Zurich offset by decommissioning Frankfurt IX8, which remains as an enabled DC on our network.
- **Cloud On-Ramps:** 233 total connected cloud on-ramps globally with the addition of 6 in the quarter, including new Microsoft and Google on-ramps in Melbourne, and Microsoft in Minneapolis and AWS in Madrid Spain. Additions include Google | Perth Equinix PE2.

Please refer to the 4Q FY21 Global Update lodged with ASX on 8 July 2021 for a more detailed business update.

4Q FY21 Cash Flow Commentary

Operating Activities

Net cash outflow from operations for the Quarter was \$202K in 4Q compared to a cash outflow of \$4.9M in the prior Quarter, an improvement of ~\$5M. Excluding annual insurance premium payments in Q3 of \$2.3M, the operating cash outflow has improved by \$2.4M QoQ. The operating Cash flow reflects the Group's progress in achieving EBITDA break even on a run rate basis in June 2021.

Receipts from customers were \$23.2M (previous quarter: \$20.2M), an increase of \$3.0M or 15% QoQ. The collections and aging quality has continued to improve and the DSO remains stable QoQ at 25 days, implying that the Debtor balance as at June was less than a month's worth of revenue.

Product manufacturing and operating costs comprise costs for data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which directly relate to generating service revenue. Network operating cash outflows were \$8.4M (previous quarter: \$8.7M), a decrease of \$0.3M, or 4% QoQ. The decrease is primarily due to cost savings initiatives in the year that have resulted in ~\$1.6M in savings in 4Q compared to ~\$0.9M in 3Q, an increase in saving of \$0.7M QoQ, partly offset by network expansion costs. Installed Data Centers count was 405, an increase of 15 QoQ.

Advertising and marketing payments were \$1.2M (previous quarter: \$0.3M), an increase of \$0.9M QoQ. Payments in 4Q mainly relate to the build of the Channel (indirect sales) program. Conference activities and related travel expenditure remains limited due to the impact of Covid-19.

Payments for leased assets were \$1.9M (previous quarter \$1.4M), an increase of \$0.5M or 36% QoQ with new leases related to network and operational expansion. This represents the principal and interest cash outflows related to the contracts that are classified as "Leases" under AASB 16 Leases.

Staff costs paid were \$9.4M (previous quarter: \$9.8M), a decrease of \$0.4M or 4% QoQ. Headcount increased by a net of 20 QoQ, with an impact of about \$0.4M QoQ. The reduction in staff related payments is attributed to a higher number of staff involved in new products and site development resulting in a slightly higher capitalisation of staff costs.

Administration and corporate payments were \$1.9M (previous quarter: \$4.3M), a decrease of \$2.3M or 55% QoQ. 3Q included an annual insurance prepayment of \$2.3M.

Investing Activities

Capital expenditure was \$4.7M (previous quarter: \$2.8M), an increase of \$1.8M or 64% QoQ. \$1.1M of this quarter's payments relate to core and capacity upgrades of existing network, of which \$0.2M is related to the MVE platform, \$1.1M vendor financed equipment purchases and \$0.9M on new sites under development. The remainder relates to inventory purchases for future expansion.

Investment in intellectual property was \$1.9M (previous quarter: \$1.7M), an increase of \$0.2M or 16% QoQ. 4Q spend mainly relates to further development of the MVE platform for integration with additional SDWAN partners and localisation of the Megaport Partner portal to further support sales and customer experience in the many countries that Megaport operates in.

Financing Activities

Proceeds from the exercise of options of \$1.0M (previous quarter: \$5.6M) represent the exercise of share options by employees.

Repayments on borrowings was \$1.0M (previous quarter: \$1.0M), reflecting the instalment payments of the amount drawn under the vendor financing facility (refer to Item 7 below for more details). \$4.8M of the \$20M vendor financing facility was undrawn at the end of the quarter.

Cash Position

Cash and bank balances at the end of the quarter were \$136.3M.

Payments to related parties of the entity and their associates

The amounts included in item 6 relate to the remuneration of directors and their associates, and the shared services and network operating services provided by companies controlled by or associated with the Chairman.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	23,241	87,451
1.2 Payments for		
(a) research and development	(51)	(1,014)
(b) product manufacturing and operating costs	(8,394)	(39,458)
(c) advertising and marketing	(1,235)	(2,030)
(d) leased assets	(1,906)	(6,324)
(e) staff costs	(9,426)	(40,489)
(f) administration and corporate costs	(1,946)	(9,564)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	333
1.5 Interest and other costs of finance paid	(431)	(1,536)
1.6 Income taxes (paid)/received	(74)	(206)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash used in operating activities	(202)	(12,837)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4,658)	(15,231)
(d) investments	-	-
(e) intellectual property	(1,926)	(8,196)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	60	60
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash used in investing activities	(6,524)	(23,427)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	963	11,550
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(28)	(351)
3.5 Proceeds from borrowings	1,185	3,024
3.6 Repayment of borrowings	(1,090)	(3,877)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from financing activities	1,030	10,346

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	141,536	166,877
4.2	Net cash from /(used in) operating activities (item 1.9 above)	(202)	(12,837)
4.3	Net cash used in investing activities (item 2.6 above)	(6,524)	(23,367)
4.4	Net cash from financing activities (item 3.10 above)	1,030	10,346
4.5	Effect of movement in exchange rates on cash held	472	(4,707)
4.6	Cash and cash equivalents at end of period	136,312	136,312

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	136,312	141,536
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	136,312	141,536

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
403
-

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities available

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (vendor financing facility)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
20,000	15,167
20,000	15,167

7.5 Unused financing facilities available at quarter end

4,833

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Group has a \$20.0M vendor financing facility to fund the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement. The facility does not carry interest and is repayable via equal instalments over 36 months from the each drawdown date. The loan is secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing facility outstanding balance at the reporting date was \$7.7M (Previous quarter: \$7.7M), and \$1.1M was repaid in the quarter (previous quarter: \$1M).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (Item 1.9)	(202)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	136,312
8.3 Unused finance facilities available at quarter end (Item 7.5)	4,833
8.4 Total available funding (Item 8.2 + Item 8.3)	141,145
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	699

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

n.a.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

n.a.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

n.a.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 22 July 2021

Authorised by the Board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.